

UNITED STATES BANKRUPTCY COURT  
SOUTHERN DISTRICT OF NEW YORK

-----X  
IN RE:

Case No.:  
Chapter 11

HELLO LIVING DEVELOPER NOSTRAND LLC,

Debtor.  
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**DECLARATION PURSUANT TO LOCAL RULE 1007**

STATE OF NEW YORK )

ss.:

COUNTY OF ROCKLAND )

***ELI KARP***, declares under penalty of perjury

1. I am the Manager of the above Debtor a New York limited liability company with offices located at 17 Tokay Lane, Monsey, New York 10952. The Debtor is the parent of Hello Nostrand LLC, the owner of the real property that resulted in this Chapter 11 filing. The filing by the parent was done to stay the UCC Mezzanine Loan of \$3,000,000 principal foreclosure by the creditor, Madison Realty Capital LLC ("Madison Realty"), of the Debtor's 100% membership interest in Hello Nostrand LLC ("Hello Nostrand"). The Mortgage is held by Madison Realty on the real property of Hello Nostrand alleging claims of over \$69,000,000. The Debtor and Hello Nostrand will attempt to settle with Madison Realty.

2. This affidavit is submitted by the Debtor-in-Possession, pursuant to the Local Rules of this Court, in connection with filing of a Chapter 11 case by the above Debtor.

3. The Debtor is not a small business debtor within the meaning of the Bankruptcy Code.

4. As noted, the Debtor holds the 100% membership interest of Hello Nostrand LLC which is in the business of owning and operating certain real estate located at 1580 Nostrand  
Leo\Clients\Nostrand Properties\Hello Living Developer Nostrand LLC\Eli Karp Lar Dan Affidavit V2\12-21-2021

Avenue, Brooklyn, New York 11226 (the “Real Property”).

5. Hello Nostrand LLC purchased the Real Property in 2014 for the purpose of constructing a multi-unit housing development. Hello Nostrand started construction in March 2018 and completed the existing building construction in June 2021. The building presently has a Temporary Certificate of Occupancy. The building is ready to be occupied but remains vacant. There is a pending contract with the Development of Homeless Shelters, a New York agency which will permit the City to provide residents shelter and occupy the building under a nine (9) year lease at an annual rental of \$2,785,000 with a 3% annual increase. There exists a parcel of vacant land on the Real Property which adjoins the completed building which, it is anticipated, will be constructed with another multi-unit development.

6. There are no expected receipts or sources of cash to be received within the next 30 days. There are relatively little disbursements to be made Hello Nostrand, a non-debtor, within the next 30 days. Insurance is in place.

7. A summary of the debtor's assets and liabilities are attached as Exhibit A.

8. The events leading up to this Chapter 11 filing arise from the following.

9. On December 19, 2017, Prophet Capital Asset Management (“Prophet”), entered into a commitment with the Hello Nostrand for \$63,000,000 construction loan (the “Loan”) secured by the real property and any improvements. On June 7, 2019, at a time that the loan was not in default, Prophet assigned the Loan to Madison Realty. On December 2, 2019, Hello Nostrand requested a payoff from Madison Realty. For ten (10) weeks, until February 14, 2020, Madison Realty failed to fund the Loan or give a payoff letter. On February 14, 2020, Madison Realty delivered a payoff letter reflecting a balance due of \$47,392,000. Total borrowings,

including interest reserve up until December 2019 of \$7,000,000 reflected a balance due of \$41,322,000. A chart of these transactions is attached as Exhibit B.

10. On February 14, 2020, Madison Realty also declared the Loan to be in default, retroactively, since July 2019 claiming \$6,000,000 in penalties running from July 2019 despite the \$1,500,000 in interest reserves which would have kept the Loan current up until mid-November. Hello Nostrand was not aware of any default where Madison Realty never declared a default prior to February 14, 2020. Madison Realty declared that the Hello Nostrand had been in default from July 2019 up until November 1, 2019 and therefore interest had been running at 24% per annum since July 2019. Madison Realty claimed the default was due to failure to pay interest and treated the interest reserve as cash collateral, thereby accruing default interest at the full default rate then applying the \$1,500,000 interest reserve as a credit against the total default interest. This resulted in depriving Hello Nostrand of credit for the payment of interest as part of the interest reserve which were on deposit which accrued interest and was readily available to Madison Realty. Madison Realty's calculation of interest defeated the whole purpose of the interest reserve. This method added \$6,000,000 to the "balance". Hello Nostrand lost an opportunity to refinance the Madison Realty loan as a consequence of this added interest.

11. On March 2, 2020, Madison Realty sent a corrected letter to Hello Nostrand, reversing Madison Realty's earlier default notice and instead declaring the default as of November 1, 2020 and running default interest from November 1, 2019 up until April 30, 2020 in advance of the March 2020 notice for a total of six (6) months of default. This left Hello Nostrand with the same sum of \$6,000,000 of default interest as before added to the loan now having a balance of \$47,352,000.

12. In the meantime, while Madison Realty initiated those actions no monies were advanced, the project stalled, insurance lapsed, contractor's liens arose and the entire project was endangered.

13. The Debtor could not continue building. In May 2021, Hello Nostrand requested a payoff and Madison Realty stated the amount due was \$56,000,000. In June 2021, Hello Nostrand provided a TCO to Madison Realty demonstrating that the building construction was complete. Thereafter, in August 2021, Madison Realty "repackaged" the loan by (a) granting an additional "Mezzanine Loan" by a Madison Realty affiliate to the Debtor here as owner of the equity interest of Hello Nostrand of \$3,000,000 (which was, in any event, part of Madison Realty's commitment obligation under the \$63,000,000 Loan) and recalculating the loan default rate, by among other things, capitalizing default interest of \$4,350,000 plus charging additional miscellaneous charges such as a \$252,000 forbearance fee, which released all of the Debtor's and Hello Nostrand's claims against Madison Realty. The loan balance went from \$56,190,000 as of May 1, 2021 to \$64,558,000 as of August 1, 2021 (see Exhibit B).

14. As of December 21, 2021, the Loan balance was alleged to be \$69,174,000 for a loan in which the actual loan proceeds received which had been current in December 2019 is \$38,422,000.

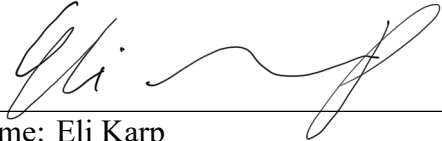
15. An action was commenced alleging causes of action against Madison Realty for fraud, breach of contract, breach of covenant of good faith and fair dealing based on the above transactions. On November 15, 2021, the New York State Supreme Court entered a Decision and Order granting the Defendant's motion to dismiss the Complaint, partially on procedure and partially on substantive grounds. The Decision is presently on Appeal.

16. The Debtor's books and records are being maintained at the Debtor's offices at 17 Tobay Lane, Monsey, New York 10952.

17. The Debtor believes that it will be able propose a viable and confirmable Plan of Reorganization to deal with the Mortgagee and its creditors whether or not the Appeal results in a reversal of the Decision of the New York State Supreme Court.

Duly declared under penalty of perjury:  
December 21, 2021

***HELLO LIVING DEVELOPER NOSTRAND LLC***

A handwritten signature in black ink, appearing to read 'Eli Karp', is written over a horizontal line.

Name: Eli Karp  
Title: Manager

**EXHIBIT A**

**ASSETS AND LIABILITIES  
OF THE DEBTOR AND HELLO NOSTRAND LLC**

**ASSETS**

Real Property	
Building	Undetermined
Lot	Undetermined
Equity Interest Held by the Debtor	Assets versus Liabilities

**LIABILITIES**

Secured Debt owed to Madison Realty including P&I of Hello Nostrand LLC and Mezz Loans	Approximately \$53,000,000 - disputed
Other Secured Claims	Approximately \$1,600,000
Unsecured Claims	Approximately \$5,600,000